



CITY OF LODI

COUNCIL COMMUNICATION

AGENDA TITLE: State Budget Update

MEETING DATE: September 17, 2003

PREPARED BY: Deputy City Manager

RECOMMENDED ACTION: That the Council receive a verbal report from the City Manager regarding the State of California budget.

BACKGROUND INFORMATION: The State budget has been a point of discussion over the past several months with specific concern over its potential impact on municipalities. Mayor Hitchcock has requested that the City Manager keep the State budget update on the Regular Calendar thereby affording Council the opportunity to discuss any breaking news.

Attached for Council's information is a copy of a recent article in the Sacramento Bee regarding the State budget.

FUNDING: None

Respectfully submitted,

Janet S. Keeter
Deputy City Manager

Attachment

APPROVED: _____

H. Dixon Flynn -- City Manager

State agencies told to draft more cuts

Entire programs may be trimmed to meet \$8 billion shortfall.

By John Hill -- Bee Capitol Bureau

Published 2:15 a.m. PDT Wednesday, September 10, 2003

State agencies must figure out how to cut costs by 20 percent in a new round of budget reductions likely to go beyond efficiencies and into entire programs and services.

In a letter Friday, Department of Finance Director Steve Peace told agency directors and other top budget officials to consider eliminating programs, repealing activities required by law or large-scale reorganization.

"All existing programs provide valuable services to the citizens of the state," Peace wrote. "However, the reality is that the current fiscal condition of the state can only afford to continue funding for the most critical and essential functions."

In an interview Tuesday, Peace said that the latest letter "recognizes that it's unrealistic to do additional across-the-board type cuts" that don't eliminate services or programs.

The Department of Finance is gathering information for a budget proposal to be presented by Gov. Gray Davis in January if he survives the Oct. 7 recall vote.

The proposal for the fiscal year that begins next July must address a deficit estimated at \$8 billion. The shortfall is largely the result of one-time revenue boosts in this year's budget that won't be available next year.

The Department of Finance routinely sends a letter to agencies this time of year telling them how to prepare a budget proposal. Last year, as the scope of the budget crisis became apparent, the departments were required to show how they could cut 15 percent of their operation costs.

The budget signed last month called for \$1 billion to be cut from state operations. The Department of Finance is reviewing the plans for how to achieve this savings, including widespread layoffs.

Much of state spending goes directly to schools, local governments or providers of health or social services. What remains -- referred to as state operations -- is largely eaten up by running the prisons and other operations that require around-the-clock staff.

As a result, officials say, the 20 percent cut must be made to a relatively narrow slice of state operations and will require departments to reassess what functions they are still able to do. Agencies have until Sept. 26 to submit their reduction plans.

The plans will not necessarily be incorporated in the budget. But Peace said they would allow the administration to set priorities and get department heads to analyze how best to do their jobs.

"I'm hopeful that some good comes out of the process," he said.

Assemblywoman Jenny Oropeza, D-Long Beach, said in a prepared statement, "We know that at this point all the fat has been trimmed. We are going to have to make more hard decisions about which programs we can afford to continue."

But Oropeza, chairwoman of the Assembly Budget Committee, pointed out that the Legislature and the public will have a chance to review the cutbacks.